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When the crisis becomes permanent

Argentina is in the world's longest lockdown—and that's not its only problem. Yet despite high debt and Covid-19, there's hope

Read this article in German.

On the evening of 29 August, a Falcon 9 space rocket took off from Cape Canaveral carrying, among other things, the Argentinian satellite SAOCOM-1B – the second of its kind built to make the country's farming more digital and efficient. This is the sort of news story about South America's second-largest country that rarely reaches European media. That's not a criticism, by the way: why would an outlet in Europe report on this? It simply demonstrates just how contradictory Argentina – that land far, far away – can be.

What media in other parts of the world do report on, of course, is Argentina's eye-watering level of sovereign debt and its repeated defaults. The country was gasping for air as it was and now the pandemic is strangling it, causing horrific social and economic damage. Yet the country is still able to develop satellites, run a technologically advanced agricultural industry, and has specialised bio-medical research boasting an institute which is partnered up with Germany's Max Planck Society.

Argentina is quite simply a land of contradictions: it has high sovereign debt and a not insignificant proportion of its population lives in poverty, but at the same time, it has a sizeable middle class for whom annual trips to Europe or the US are par for the course; compared with other countries, it has above-average levels of educational achievement and produces world-class experts in fields such as biochemistry and information technology; it also sits on the G20. Yet, at the same time, it is among the ranks of far smaller, poorer countries hoping for their debt to be cancelled. From a European perspective, it is only this indebtedness – and, around World Cups, its football prowess – which see Argentina periodically make the headlines.

Argentina's long lockdown

Now the coronavirus pandemic is presenting Argentina with a new load of challenges. Last October, Alberto Fernández secured a relatively clear win over the conservative incumbent Mauricio Macri, but with immense state debt, an economy in recession and high levels of poverty, his first months in power in this politically divided country have been anything but easy – and before he had even made it to 100 days, the coronavirus arrived. For those in northern Europe, it is hard to understand the force with which the pandemic has hit countries on the other end of globalisation and the extent to which crisis management has become the norm.

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So Alberto Fernández is now faced with a plethora of near Herculean tasks: while trying to avoid the country's ninth sovereign default, he is also trying to reform the state, stop health services from collapsing and prevent widespread pauperisation. His Peronist government now has precious little time to resuscitate state structures which have, following decades of cuts on the one hand and clientelistic overmanning on the other, all but flat-lined.

On 20 March, the country placed itself under strict quarantine – a measure which garnered it that rare commodity: international praise. Yet, after five months (around 160 days at the time of writing), that praise has turned to bewilderment that the country has had both the longest-lasting restrictions worldwide and rather disappointing results in terms of preventing transmission. While the question of precisely how long the national lockdown will continue is somewhat inconsequential now that provinces have started to adapt their restrictions to their current rates of infection, there is increasing disquiet that liberty, that the basics of democracy, may be in jeopardy.

It is worth noting here that, however strict the lockdown was early on, it was not accompanied by state repression; unlike many other countries in the region, Argentina did not declare a national state of emergency and the lively culture of street protest which has been written into DNA of the country's young democracy has not been cowed, as proven by the increasing number of anti-lockdown demonstrations and all other manner of opposition.

Successful debt negotiations

During the lockdown, Fernández has demonstrated his ability to enter into dialogue, initiating discussions with his political opponents, not least the mayor of Buenos Aires, who is in the rival liberal-conservative grouping. While this may sound like the obvious thing to do in the face of a global pandemic, it was quite exceptional in a country as politically polarised as Argentina. Flanked by this readiness for dialogue – Fernández' early crisis management brought him support from many opposition voters, with his approval ratings running at 67 per cent in late May; even in July, after more than three months of confinement, he was still at 43 per cent.

Due to this long lockdown, Argentina kept its infection curve flat for an extended period, buying it time to expand its health provision. In social welfare, existing programmes were expanded to offer something of a basic income for those working in the informal economy: although child benefit, income support and food handouts were already in place before corona, the new programmes of recent months have seen, most notably, the introduction of a 10,000 Peso (approx. €140) monthly payment to low earners and casual workers.

Even the debt question – of no small importance for the country's prospects of economic recovery – was resolved, albeit after long and hard negotiations, when, in early August, the government and its foreign creditors (including major US investment funds such as Blackrock, Ashmore and Fidelity) struck an agreement to cut Argentina's debt by 45.2 per cent. This represented a key step forward in reducing the pressure on the country's exchequer, which is working with state coffers so depleted that it has no choice but to finance its corona aid package by printing money.

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According to Economics Minister Guzmán, a former student of Joseph Stiglitz, 99 per cent of Argentina's foreign private creditors have signed up to the agreement, which restructures USD 65bn worth of debt. Yet the agreement signals the start of another period of negotiations inasmuch as it only covers some of the country's obligations; talks with the International Monetary Fund (IMF) have been announced. The IMF offered its support during negotiations with private creditors, however, and even prior to the pandemic, the organisation had already begun to change its

tone with regard to Argentinian sovereign debt – debt which, due to a sustained drop in the value of the Peso and rising interest repayments, now totals more than USD 320bn, or around 90 per cent of Argentina's output.

What's the exit strategy?

Because of the pandemic, these tough economic conditions have become even more unfavourable: commodity prices have collapsed, as has tourism, while the economies of China, the US and the EU are stagnant. This is bad news for Latin America as a whole and particularly so for Argentina, and the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) is now forecasting a 10.5 per cent drop in the Argentinian gross domestic product for 2020.

This means that the government is now facing an especially difficult time. After many months of lockdown in the capital, Buenos Aires, and the surrounding conurbation, large numbers of citizens find themselves impoverished; previously buzzing neighbourhoods are now barely recognisable. Yet the loosening of the regulations and the first, tentative steps to get the economy and (to a lesser extent) social life up and running again have led to increases in the rates of transmission. Many see the issue in Argentina's low rate of testing and lack of contact tracing. Mortality remains low, however, in comparison to other countries in the region. Will stricter measures be re-imposed? The government is aware that, in view of the recession, the spectre of widespread poverty and the sheer mental exhaustion, lockdown cannot be a long-term solution. At the same time, health services in some areas are already overstretched. This is why the exit strategy is currently somewhat vague.

A few weeks ago, the Argentinian and Mexican governments announced a joint strategy for developing a corona vaccine. As a part of a public-private partnership, the Argentina-based mAbxience laboratory will produce an active agent working with AstraZeneca, which has the formula; the inoculation will then be made available across Latin America (but not in Brazil) for a price of between USD 3 and USD 4 per jab; Liomont in Mexico will organise the mass production and packaging – financed by the country's richest man, Carlos Slim. Currently, regulatory approval is expected for spring/summer 2021 and, if the strategy is successful, it would represent a real boon to the whole region. After all, China and the countries of the global north have themselves to take care of and are placing their own interests first.



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